

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO. 2954-01
BILL NO. HB 1346
SUBJECT: Taxation and Revenue-Property: Real Property
TYPE: Original
DATE: January 27, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Blind Pension	\$0	\$0	\$0
General Revenue	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds*	\$0	\$0	\$0

***Fiscal impact would not occur until FY 2003.**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses
This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Elementary and Secondary Education** assume that changing the assessment cycle from two to four years would reduce assessed valuations for two years longer than current procedures and would, by reducing the local deduction, increase the cost to fully fund the Foundation Formula. They can not estimate the magnitude of the increase because they can not predict how much the local deduction would be decreased compared to current law. (The Formula still contains provisions for pro-rating some payments if the Formula is not fully funded.)

Officials at the **State Tax Commission** assume the proposal would not directly affect their budget. They did note that changing the assessment period from two years to four years would cause local governments (and the Blind Pension Fund) to tax part of natural growth every four years instead of every two years. They also note that inequities in assessments would be allowed to exist for four years instead of two. They note that provisions concerning assessment of certain properties would not have a large effect overall, but could be significant to individual taxpayers.

Oversight estimates decreased income to the Blind Pension Fund would exceed \$100,000 per year beginning in FY 2004 since the tax rate for that Fund is not subject to tax rate ceiling rollbacks. (E.g. If the latest reassessment had not taken place, the Fund would have received approximately \$750,000 less than it received.)

The **Cole County Assessor** stated, in responses to similar proposals, that the administrative effects of the proposal on that office would be minimal.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (6 Mo.)	FY 2002	FY 2003
GENERAL REVENUE FUND			
<u>Cost</u> - Increased Transfers to State School Moneys Fund	\$0	\$0	\$0
ESTIMATED NET EFFECT TO GENERAL REVENUE FUND*	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

*Increased costs to fully fund the Foundation Formula would begin in FY 2004.

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2001 (6 Mo.)	FY 2002	FY 2003
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BLIND PENSION FUND

<u>Loss</u> - Decreased Collections	\$0	\$0	\$0
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ESTIMATED NET EFFECT TO BLIND PENSION FUND*	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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*Decreased collections would begin with FY 2004 and would exceed \$100,000 per year.==

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (6 Mo.)	FY 2002	FY 2003
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POLITICAL SUBDIVISIONS

<u>Loss</u> -Decreased Collections*	\$0	\$0	\$0
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Decreased collections, compared to current law would begin in FY 2004.

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

The proposal would: 1) beginning January 1, 2001, replace the current two-year real property reassessment cycle with a four-year cycle, 2) provide that new construction be assessed as though built in the last reassessment year, and 3) provide that property acquired by tax-exempt organizations remain taxable until the organization begins to use the property for tax-exempt purposes.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space. The proposal could affect Total State Revenues.

L.R. NO. 2954-01
BILL NO. HB 1346
PAGE 4 OF 4
January 27, 2000

SOURCES OF INFORMATION

State Tax Commission
Department of Elementary and Secondary Education
Cole County Assessor

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is stylized with a large initial "J" and a cursive "e" at the end.

Jeanne Jarrett, CPA
Director
January 27, 2000